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SIDE LIGHTS

ON

PORK PACKING
ESTABLISHMENTS



FARMERS READ CAREFULLY





SIDE LIGHTS *on* PORK PACKING ESTABLISHMENTS



THE majority of farmers in Canada raise hogs to sell. Is there a farmer in Canada who, when talking with a representative of a pork packing establishment, ever heard this representative remark that his particular establishment had made any money? These representatives usually say that they have an immense amount of capital invested and that they have the best working plants in existence, but the tremendously high prices of hogs and the small supply make it impossible for them to make any money, or pay any dividends.

Of course, it is absolutely impossible for the Canadian farmer to have access to the books of these pork packing establishments and ascertain, beyond the question of a doubt, that they are actually not making any profits. These establishments have expert book-keepers who keep their books, as any other business firm does, in a most private and confidential way. Consequently, the farmer is forced to accept, for the moment, the statement of the

representative that no pork packing business is profitable.

It happened that in 1907, in view of the death of the senior member of the William Davies' Packing Company, an action-at-law necessitated bringing into the courts and making public the financial earnings of the William Davies' Company (pork packers, of which Mr. J. W. Flavelle, of Toronto, is President and General Manager). It is, impossible, to quote the whole proceedings of the court. The following, however, which appeared in the Farmer's Advocate, published at London, Ont., in July, 1907, will give the pith of the evidence and proves conclusively that this particular pork packing establishment—and there is no reason to believe that other similar institutions are not equally successful—has, since its inception, been making enormous profits and paying big dividends.

When it is taken into consideration that, for the fourteen years quoted in this article, the lowest dividend paid was fifteen per cent. (15%) and the highest one hundred and twenty per cent. (120%) on the amount of capital invested, the farmers of Canada can fully realize that, while the price of pork has been exceedingly high for the last few years it has been none too high, from their point of view, and that the pork packers have made a handsome profit—larger than any investment on the farm that could possibly be realized.

The following is the article referred to :—

A SIDE LIGHT ON THE PACKING BUSINESS

“ As a result of a friendly action-at-law, brought by the executors of the estate of Mrs. Wm. Davies against several interested parties, statements have been recorded showing that the value of stock (shares \$100 par value) in the provision business of the William Davies Co., Toronto, is placed at from \$300 to \$400 per share, and that during thirteen years past the dividends on the stock have ranged from 15 per cent. up to 120 per cent. per annum.

“ In placing the value of the stock, information was provided the court to the effect that the stock was worth \$300 on January 12th 1907, and that J. W. Flavelle had paid \$400 per share for stock during the past year.

“ A table was also placed in evidence, showing the dividends which the stock has paid during the past thirteen years to be :

“ For the year ending March 31, 1893, 65 per cent.; 1894, 34 per cent.; 1895, 40 per cent.; 1896, 45 per cent.; 1897, 100 per cent.; 1898, 120 per cent.; 1899, 82 per cent.; 1900, 60 per cent.; 1901, 27½ per cent.; 1902, 27½ per cent.; 1903, 15 per cent.; 1904, 30 per cent.; 1905, 41 per cent.; 1906, 25 per cent.

“ On a capitalization of \$150,000 this would mean that in 1906 the company made a profit of \$187,500. The capitalization in 1898 was smaller, but, at the same cap-

italization, the profit would have been \$900,000.—Toronto World.

“This lets a bright beam of sunshine into the packing business. For many years it has been felt that the packers were making larger profits by the conversion of hog into bacon than their modesty would allow them to acknowledge, but proof was difficult, and the plaint of the packer invariably was ‘no profit,’ or ‘losing money.’ If there ever was a period when bulging profits expanded his brooding countenance into smiles, he hid his face discreetly and laid up the surplus against possible loss later on.

“To many of us it has been a Chinese puzzle how packers computed profit, but from the showing of the Wm. Davies Co. it would appear that they must in their book-keeping charge up every possible expense, allow a liberal margin for contingencies, ten per cent. for depreciation of plant and probably twenty per cent. for dividends. If after all these charges were deducted nothing were left, the wail would go out ‘no profit in the business.’ Meantime out of their margin for contingencies, their ten per cent. for depreciation of plant, and twenty per cent. or so set aside for dividends, they have been clearing a rate of interest on their investment which makes the business of raising hogs look like thirteen cents. Of course, we do not know that the packers compute their profits on the basis outlined above, but the figures quoted

lend color to the speculation that some such system is followed.

"And what of it all? Is the William Davies' Company worse than the rest? We have no reason to think so. On the contrary, we doubt whether there is a more honorable, enterprising or worthy packing company in Canada. Well, then, are they all a pack of thieves? Not by any means. Business is business. They all buy hogs as cheaply and sell pork as high as possible. The same principle is followed almost universally in modern business. If the Davies have been more successful than their rivals it has been due to greater scope and better management. And, at the worst, none of the packers are taxing the public so heavily as some other middlemen.

"The healthy condition of the business is, however, calculated to relieve any fears that may have been entertained as to the fate of the packers in 1905 when deprived of their supply of American hogs. It is also liable to set some men thinking on certain economic problems concerning the production and distribution of wealth."

Now how would the Canadian farmer like to prosper in like proportion? It speaks well for the way Mr. J. W. Flavelle, the President and General Manager of the above mentioned company, conducts his business, but is it fair to say that he is dealing out fair treatment to the farmers of Canada in cutting the price of hogs down to the last cent.

The same Mr. Flavelle is one of the men of the city of Toronto who is trying to persuade the farmers of Canada to turn a deaf ear to the Reciprocity Agreement which Sir Wilfrid Laurier and the Liberal Government have been successful in arranging.

Only a short time ago, on Feb. 4th, 1911, Mr. Flavelle, in the Toronto News (a paper which on several occasions has produced articles which coincided very closely with Mr. Flavelle's expressed opinions), published a very sympathetic but non-argumentative letter giving reasons why this agreement should not be passed. He forgot for the moment and admitted that Canada was at the present time enjoying unprecedented prosperity, although he would not add that it was largely due to the wise policy of the Liberal Government in opening up new markets. His letter in part was as follows :

P A T R I O T I S M O F T H E P E O P L E

"I have too high an opinion of the intelligence and the patriotism of the farmers and the fisherman of both East and West to believe that they would seek to force a policy upon this country fraught with such danger if the matter were fairly placed before them. It is not only the good fortune of the farmers but the good fortune of every activity in the Dominion that abundant prosperity has come

to them during recent years. No single class in the country are to-day as prosperous as this class. I do not believe that for the purpose of securing temporary material advantage or even longer material advantage they would desire a disruption of our general business conditions, a disturbance of the activities of our cities, a lessening of the earning power of our trunk lines of railway, or the possibility of our political disunion. Moreover it is well that the farming community in whose interest this measure is pressed, should ask whether permanent material prosperity is not more likely to be secured through a steadily enlarged home market, with the surplus exported to Great Britain, than by this form of connection with the United States, which after a few years will be disturbed by tariff enactments, and the whole producing community thrown into confusion by reason of the changes incident to the closing of the markets of the United States against their products."

That reads very well, but is there a farmer in Canada who cannot see that Mr. Flavelle does not want competition in hog buying from our American friends. In reply to his argument just let him read one paragraph of the agreement itself, which is "that the Canadian Government does not attempt to bind for the future the action of the United States Congress or the Parliament of Canada, but that each of these authorities shall be absolutely free to make such change of tariff policy or of any other matter

covered by the present arrangement that may be deemed expedient.

In this article Mr. Flavelle goes on to point out how, if this agreement were passed, that it would interfere with the destiny of Canada, that it would impede our progress, and that "we have as much prosperity as is good for us" at the present time.

It is a good thing to be satisfied, but let us see that even in this tide of prosperity if Mr. Flavelle is satisfied. We find that notwithstanding all these handsome dividends, that notwithstanding the motto of the Anti-Reciprocity people "Let well enough alone," that Mr. Flavelle himself, during the month of June, 1911, right in the face of all this Anti-Reciprocity talk and the probable fact that the agreement would pass, issued a prospectus proposing to increase the capital stock of the William Davies Company, Limited. Their present issue of common stock is \$1,500,000, from which they have had an average annual net earning for the last five years of \$260,387 or, in all, for five years \$1,341,937.

Now ask Mr. Flavelle, who has had enough prosperity, if he is not satisfied with his prosperity for the last five years, why should the farmers be asked to accept his unasked for advice and not avail themselves of a market for their dairy products in a country containing nearly a hundred million people. But Mr. Flavelle knows perfectly well that he is wrong, for in the very prospectus pointing

out the advantages of his Company, he states "there is every reason to expect a **continued satisfactory margin of profit** over and above the interest and sinking fund requirements of this bond issue. It is reasonable to assume that the experience of **past years will be repeated**, and that, if an occasional year results in no profits in some important branch of the business, compensation will be found in the larger profits of other departments. The home and foreign markets for the Company's products are being constantly improved and broadened."

That is not all. The Ingersoll Packing Company, of Ingersoll, Ont., undertook in an open letter sent to the press, dated the 12th April, 1911, to show that the comparative prices of hogs in Canada and the United States showed conclusively that the Canadian price was higher than the American price. The following is a copy of this open letter, together with an answer to it :—

T H E P R I C E O F H O G S

Ingersoll, April 12th, 1911.

To the Editor of the "Chronicle,"

Dear Sir,—

As there has been a great deal of controversy, both in the press and on the public platform, as to the prices paid for live hogs, both in the United States and Canada, we beg to submit the following statement :—

Memo showing the total receipts and prices of hogs at Chicago market and the price paid by Boyd, Lunham & Co., Chicago, and the price paid by the Ingersoll Packing Co., Ltd., Ingersoll, from 1901 to 1910.

Year	Chicago Total Receipts	Chicago Average Price Delivered at Chicago	B. L. & Co. Average Price Delivered at Chicago	I. P. Co. Average Price Delivered at Ingersoll	Ingersoll Price above Chicago	Chicago Price above Ingersoll
1901	8,290,494	\$5.85	\$5.71	\$6.70	\$.85	....
1902	7,895,238	6.85	6.76 $\frac{1}{2}$	6.68	....	\$ .17
1903	7,325,923	6.00	5.88	6.07	.07	....
1904	7,238,746	5.15	5.04	5.32	.17	....
1905	7,725,738	5.25	5.18	6.41	1.16	....
1906	7,275,063	6.25	6.23	7.17	.92	....
1907	7,201,061	6.10	6.09 $\frac{1}{2}$	6.85	.75	....
1908	8,131,465	5.70	5.36 1-3	6.87	1.17	....
1909	6,619,018	7.35	7.53 1-5	8.04	.69	....
1910	5,586,858	8.90	8.59 $\frac{3}{4}$	9.11	.21	....

You will note the only year that Chicago was above the average on the prices paid by Ingersoll was in 1902, when Chicago was 17c per 100 lbs. more, but you will also note the great difference in some of the years, especially since 1905, when Ingersoll price has been considerably higher, and the statement made by the Ingersoll Packing Co., Ltd., is absolutely correct as taken from their books, and

open to inspection by any Government officer for verification.

The above figures speak for themselves.

Yours truly.

THE INGERSOLL PACKING COMPANY,
LIMITED,

C. C. L. WILSON, Managing Director.

AN ANSWER TO THE ABOVE LETTER

Referring to the attached newspaper clipping from the Ingersoll "Chronicle," which contains a letter from the Ingersoll Packing Company, showing the total yearly receipts and average prices of live hogs at Chicago for the years 1901 to 1910, and the average prices paid by the Ingersoll Packing Company in these years, it is found that the Chicago figure is the average price for the year for a number of grades sold on the Chicago market, or, in other words, that it is the average price realized for the bulk of sales in each year.

Statements of weekly prices have been carefully gone over for live hogs at Chicago, Buffalo and Toronto for the year 1910, and the following is the average for these markets:

Average Price of Prime Bacon Hogs for the Year 1910

Chicago—" Selected Bacons ".....	\$9.11	per	100	lbs.
Buffalo—" Yorkers ".....	9.43	"	"	"
Toronto—" Selected off cars "...	8.83	"	"	"

Please note that these prices are for prime bacon hogs which are used entirely for our excellent Canadian bacon. It is a well-known fact that when hogs not of prime bacon quality reach the markets, they are sorted out and the owner is compelled to accept any price the packer sees fit to offer him. It is, therefore, quite unfair, when making up comparative prices to give quotations on hogs other than those of prime bacon quality.



